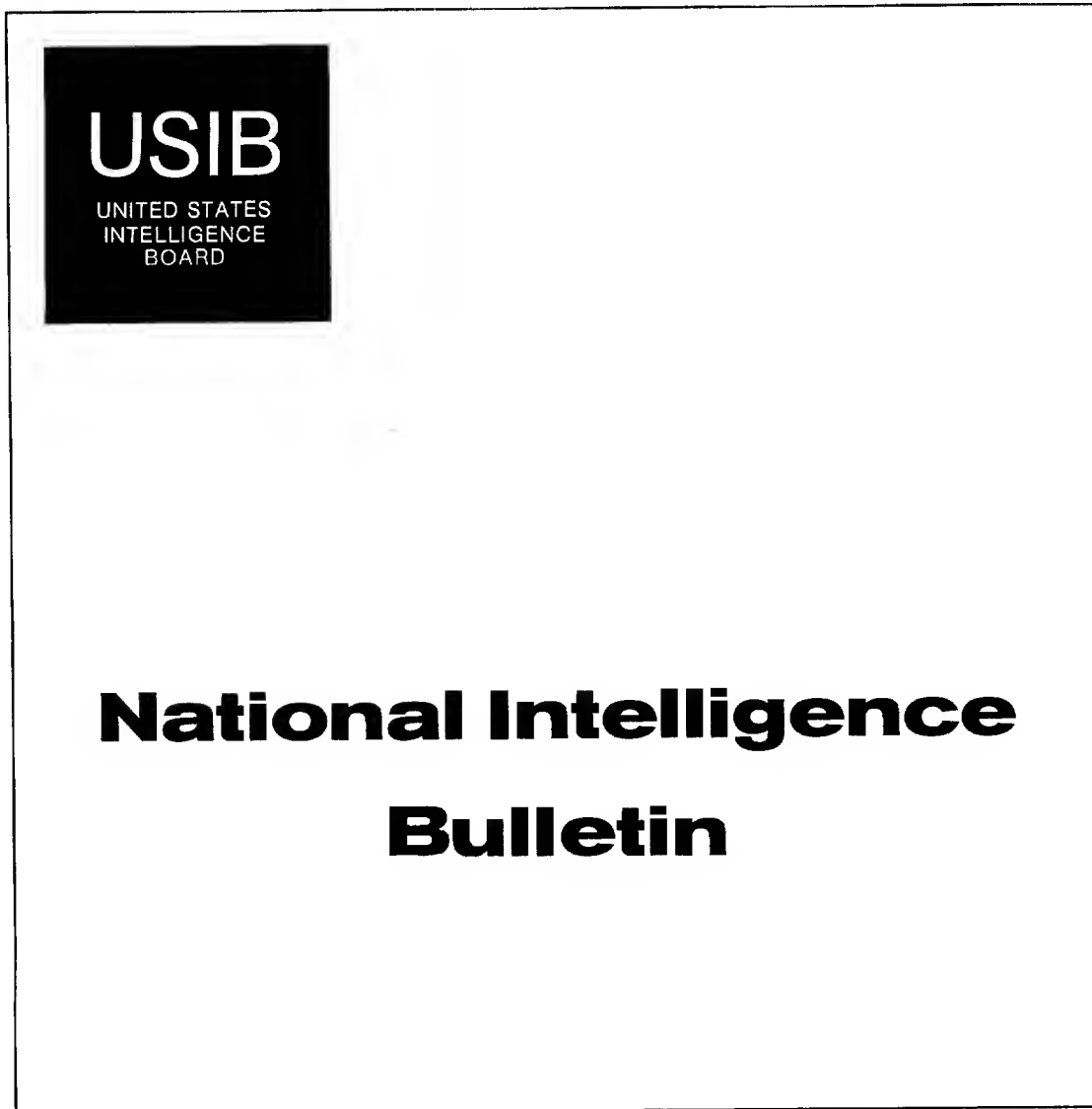


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ISRAEL

A large majority of residents of the Israeli-occupied West Bank identify with the Palestine Liberation Organization as the only effective Palestinian representative of their cause, according to the US consul general in Jerusalem. His findings contrast with Israeli claims that a majority of West Bankers do not support the PLO, but are afraid to speak out for fear of retaliation.

A large body of intellectuals, professionals, and students reportedly go beyond this sense of identification and give active support to the PLO. This, however, is only political support. Although some West Bankers keep in touch with the PLO leadership in Beirut, few take part in the subversive activities of its constituent fedayeen organizations.

A smaller number of West Bankers, mostly businessmen, oppose the PLO. They are critical of the radical views of most PLO leaders, and fear that a return of the PLO to the West Bank would bring violence that could threaten their interests. These are the people who are afraid to voice their opposition, both from fear of retribution and from awareness that they are in the minority.

Politically articulate Palestinians on the West Bank are privately tempering their claims to a reconstituted pre-1948 Palestine, admitting that a territorial compromise recognizing the existence of Israel is a necessity. Some influential West Bankers assert that the PLO itself is moving in this direction.

West Bank residents remain divided on the question of who should govern the area in the event the Israelis agree to a territorial compromise. Although most West Bankers support the PLO as the Palestinians' bargaining agent in international forums, fewer would like to see it assume exclusive control over an independent Palestinian state.

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Many traditional leaders on the West Bank, for example, join the PLO in its demand for an autonomous Palestinian entity free of ties to Israel or Jordan. These people, nevertheless, are eager to protect their own positions and would prefer a coalition government made up of PLO and non-PLO Palestinians.

The Israelis are increasingly apprehensive that pro-PLO sentiment on the West Bank will grow quickly, following the concessions made to Yasir Arafat by the Arab heads of state at Rabat. Tel Aviv is particularly concerned that this feeling will be translated into terrorist activity in the occupied territories. Shlomo Hillel, the Israeli minister responsible for the West Bank, warned yesterday that "all possible means" would be used to apprehend those involved in terrorist activities.

Israeli military authorities early this week deported four prominent West Bankers charged with offenses ranging from signing a petition supporting the PLO to membership in the illegal Palestine National Front. Tel Aviv obviously hopes that the expulsion of these four, together with hints that Israel might reconsider its policy of allowing limited commercial contacts with Jordan's East Bank, will inhibit West Bankers from offering public expressions of support for the PLO.

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WEST GERMANY - SAUDI ARABIA

Bonn is seeking Saudi Arabian investment in West German industry similar to recent Iranian investments, which included a \$60-million purchase of Krupp stock. West German Economics Minister Friderichs and representatives of major West German industries are now engaged in talks with Saudi officials in Riyadh.

Bonn feels that if the oil producers participated actively in West German industry, the possibility of oil cutoffs would be reduced. Saudi Arabia currently supplies 23 percent of West German oil imports. German industrialists are interested in attracting investment because tight money and lower profits have reduced the availability of domestic funds to underwrite needed expansion.

Saudi Arabia in recent months has been interested in increasing its long-term holdings, and would find investment possibilities in West Germany attractive because of the strength of the industrial sector and the Deutschemark. [REDACTED]

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BRAZIL

Brasilia apparently is delaying a final decision on its position in the voting on OAS sanctions against Cuba. In the meantime, Brazilian diplomats are concentrating on trying to assess the position of the US and the extent of Latin support for the resolution calling for an end to the sanctions.

A Brazilian vote favoring the lifting of sanctions is not out of the question. The Geisel administration, in the name of "pragmatic realism," already has made substantial foreign policy shifts in relations with the Middle East and the Communist world. Moreover, Brazil may conclude that enough Latin governments favor lifting the sanctions to assure passage. If so, Brasilia might at least consider voting with the majority in an effort to build a more favorable image among its neighbors.

Brazil's conservative government, however, is still ideologically opposed to the Castro regime and continues to believe that Havana exports subversion. The Brazilian foreign minister may also wish to avoid provoking further those conservative military officers who are already disturbed over recent rapprochements with Communist countries.

Brazil therefore is likely to abstain and may seek to take the lead from the US by making public its intention first, particularly if Brasilia concludes that the US does not intend to oppose lifting the sanctions.

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BOLIVIA

President Banzer intends to announce soon the indefinite postponement of the national elections scheduled for next June. Banzer's plan apparently has the support of the military chiefs, but it is likely to incite more plotting against his government by dissident younger officers.

The military leaders approve of the postponement, presumably because they intend to control the presidential succession. They have previously told Banzer that he must soon step down in favor of an acceptable replacement from the military. The current front-runner is General Juan Lechin, who as minister of coordination is the second highest government official.

Banzer has given no firm indication that he will relinquish power voluntarily.

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USSR

Soviet Foreign Minister Gromyko struck a moderately positive note in his speech last night to mark the 57th anniversary of the Bolshevik Revolution. His speech, largely a review of foreign policy accomplishments, gave full credit to the personal role of party chief Brezhnev.

The annual speech--given on behalf of the leadership as a whole--is rotated among Politburo members; this is the first time Gromyko has delivered it.

Gromyko stated that the USSR favors an agreement with the US that would limit strategic arms quantitatively and qualitatively. He said the USSR would strive to make the coming summit with President Ford of "great importance" to US-Soviet relations. Gromyko also stressed that a "positive outcome" of the European security conference at Geneva would create a more favorable atmosphere for resolving other issues, making a specific reference to the East-West force reduction negotiations in Vienna.

The foreign minister reiterated Soviet support for the Arab causes, including Palestinian statehood. He mentioned Brezhnev's scheduled visit to Cairo and predicted that it would be of "tremendous significance."

Gromyko's treatment of other areas was routine. He had special praise for progress in relations with West Germany, France, and India, but he took the standard, tough Soviet line on China, prompting Chinese Ambassador Liu Hsin-chuan to make an early departure.

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UK-EC

The latest British public opinion poll on continuing EC membership clearly indicates that the phrasing of the referendum question could be important in determining whether Britain remains a part of the EC. The Labor government is committed to hold a referendum on the question by next October.

The results of a poll released earlier this week show that 53 percent of those queried said they favored remaining in the EC and wanted the government to try to obtain better membership terms. Sixteen percent advocated withdrawal as quickly as possible, while 15 percent wanted to retain membership under the present terms. This poll, as with earlier ones, shows that although a majority of Britons do not like EC membership, at least under the present terms, they are reluctant to advocate withdrawal.

With some six months of renegotiation ahead, the government has not yet decided exactly how it will play the referendum question. Prime Minister Wilson earlier this year said the referendum would be phrased in such a way that the people could clearly choose whether to stay in or get out.

Earlier opinion polls had shown that the odds are about even that Britons will vote to pull out unless the government comes out strongly in favor of continued membership. The outcome of the referendum could also hinge on how favorably the government presents the new membership terms. Wilson has said, however, that the cabinet might not make a collective recommendation to the electorate, but instead would allow individual ministers to take differing stands.

He now may be backing away from this view. Last week, in an uncharacteristically strong stand against sniping by left-wing Laborites, the Prime Minister lectured all cabinet members on their collective responsibility and told them they must publicly support government decisions once they are taken.

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SPAIN-US

The Spanish say they want a new defense relationship with the US.

At the opening round of negotiations to renew the cooperation agreement that covers US use of base facilities in Spain, the Spaniards stopped short of asking for a mutual defense treaty. They said, however, that they want joint military planning and the coordination of Spain's defense with that of the US and NATO.

The Spaniards are trying to exploit a bilateral declaration of principles governing US-Spanish relations that was signed in July to parallel a NATO declaration. They argue that the declaration went beyond provisions of the agreement governing the use of defense facilities in Spain and signaled a stronger US commitment to grant Spain equal treatment in the defense field with NATO.

Another round of talks is to take place in Washington early next month. On the agenda for that meeting are the nature of the defense relationship and the coordination of Spain's role with the Western defense system.

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FOR THE RECORD

25X1 Spain: Rumors are sweeping Madrid about Prime Minister Arias' imminent resignation. [redacted]

25X1 [redacted] The persistence of the rumors and the detail with which they are conveyed suggest they could be part of a whispering campaign conducted by the far right, which is opposed to Arias and his modest liberalization program. These people may feel that further pressure on Franco is necessary following Arias' statements last week that the departure of two of his ministers would not signal an end to his liberalization program. [redacted]

25X1 Argentina: President Maria Estela Peron, reacting to growing terrorist violence in Argentina, yesterday declared a nationwide state of siege. The declaration includes the suspension of habeas corpus and freedom of assembly and leaves few legal restrictions on governmental power. Since the government already had most of these powers under the recently enacted antisubversion law, the measure is not likely to produce solid gains against the terrorists. Its major purpose is to give the impression of decisive action against terrorists. The declaration is fully supported by the members of the military high command, suggesting that the armed forces, which have generally let the police carry out the anti-insurgency campaign, now intend to participate more fully. [redacted]

25X1 Portugal: Political violence spread to the northern industrial town of Oporto yesterday when leftists set fire to the local office of the moderately conservative Social Democratic Center Party. That party's headquarters in Lisbon was sacked Monday night. Press accounts indicate the government has condemned the incident in Lisbon and is trying to arrest the leftist ringleaders. Social Democratic Center Party leaders will not be content until the Maoist political party responsible for the violence is banned. [redacted]

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Iran - Sri Lanka: Sri Lanka will soon become the third Indian Ocean country to receive Iranian financial assistance as the Shah continues to extend his influence in the region. Following a visit from Prime Minister Bandaranaike last week, Iran agreed to provide a \$27-million credit for construction of a fertilizer plant, \$32 million in advance payments on future Sri Lankan exports to Iran, and \$8 million in balance-of-payments support. The Shah's commitment to Sri Lanka, substantial for that small country, follows pledges of \$640 million to Pakistan and possibly some \$1 billion to India earlier this year. Bangladesh has solicited financial help from Iran and may well be next on the Shah's list.

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